



Steven L. Beshear  
Governor

Robert D. Vance, Secretary  
Environmental and Public  
Protection Cabinet

Larry R. Bond  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

## NEWS RELEASE

Contact:  
Andrew Melnykovich  
502-564-3940, ext. 208  
502-330-5981 (cell)

### **PSC SETS PERFORMANCE GOALS FOR MARTIN COUNTY WATER** *Order implements findings of management audit*

FRANKFORT, Ky. (April 2, 2008) – The Kentucky Public Service Commission (PSC) has ordered the Martin County Water District to take specific steps to improve long-standing deficiencies in customer service and financial performance.

In an order issued today, the PSC set deadlines for Martin County Water to implement the findings of a comprehensive independent audit that was concluded last year. All of the measures are to be completed by June 30, 2009.

Among the steps ordered by the PSC are a further rate adjustment, elimination of the backlog of connection requests, improvement of system maintenance and reduction of water loss, and improvement of billing and financial practices.

Martin County Water will have to report its progress to the PSC every six months, beginning this July 1, and continuing through Jan.1, 2011.

The district, headquartered in Inez, serves about 3,400 customers in Martin County.

Martin County Water has been the subject of PSC concern since 1997, when PSC reviews and inspections found problems with recordkeeping, maintenance and system reliability. In 2002, consumer complaints about water quality and poor service prompted a PSC investigation that ultimately led to the audit of the district's management and operations.

The audit was performed by the Barrington-Wellesley Group Inc., an independent consulting firm. Martin County Water paid for the audit with help from the Kentucky Division of Water. State law allows the PSC to hire an independent auditor at company expense.

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Previous PSC reviews of Martin County Water have found poor recordkeeping, substandard budget and financial controls, excessive water loss in the system, inadequate meter reading and testing programs, poor equipment and plant maintenance practices, and persistent problems complying with regulatory requirements.

The independent audit found that Martin County Water has made significant progress in recent years, but still requires substantial improvements in a number of key areas, including operational reliability, financial stability and customer service.

Martin County Water did not contest the audit findings or object to their implementation.

The audit recommended specific steps to correct many of the remaining deficiencies.

Recommendations that the PSC ordered Martin County Water to implement include:

- Apply for a rate adjustment beyond the increase granted in 2007 – by Oct. 31, 2008
- Eliminate the backlog of requests for connections to existing lines in order to permit connection within three days of a request – by June 30, 2008
- Improve collection of past-due accounts – by June 30, 2008
- Develop a comprehensive water loss reduction program and prioritize water loss reduction over system expansion until water loss is reduced to 15 percent – by Dec. 31, 2008
- Improve procedures to identify theft of service – by Dec. 31, 2008
- Take several steps to improve meter reading and timely billing – by June 30, 2009
- Study increased regionalization to achieve economies of scale and reduce vulnerability to supply interruptions – by June 30, 2009

Today's order, including the complete list of remedial actions, as well as the audit report and other documents in the case, are available on the PSC Web site, [psc.ky.gov](http://psc.ky.gov). The case number is 2006-00303.

The PSC is an independent agency attached for administrative purposes to the Department of Public Protection in the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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